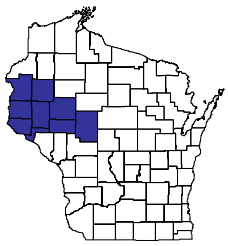
WORKFORCE OBSERVATIONS

for the West Central Wisconsin counties

Barron, Chippewa, Clark, Dunn, Eau Claire, Pepin, Pierce, Polk, and St. Croix



published quarterly by the Office of Economic Advisors,
Wisconsin Department of Workforce Development

Summer 2006

In this issue:

Direct questions-comments to:

Scott Hodek,

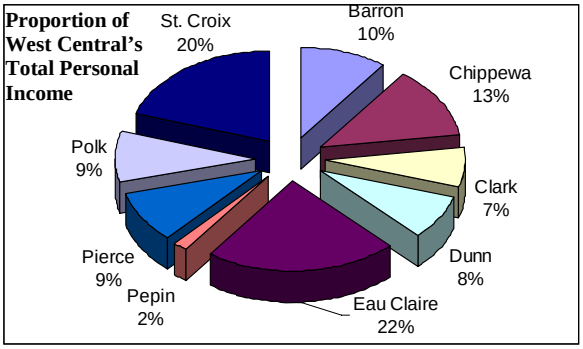
Regional Economist

Eau Claire Job Center,
221 W Madison St,
Eau Claire, Wisconsin 54703
715-836-2297
(FAX) 715-836-2989
e-mail:
scott.hodek@dwd.state.wi.us
or find more labor market information at
http://dwd.wisconsin.gov/oea

Dollars & Dividends: Personal Income in West Central

Actor Errol Flynn is said to have uttered the phrase "My problem lies in reconciling my gross habits with my net income." We may not have money issues of that magnitude, but when the word income is mentioned, our attention is virtually guaranteed. While our own incomes are probably one of our favorite subjects to analyze, income statistics can also reveal a lot about an area. And as it happens, the Bureau of Economic Analysis (BEA) has just released new local area personal income data for 2004.

The Bureau of Economic Analysis first started collecting income data in the mid-1930s. Methods and data have improved a lot since then, and the BEA now publishes a huge array of personal income estimates. The first one we'll examine is total personal income.



Total Personal Income

Total personal income is pretty much what the name implies. It's essentially the total income received by all residents of an area from all sources. The pie chart above shows how the individual counties contribute to West Central's total personal income.

Eau Claire County is the leader, making up 22 percent of West Central's total, over $12 billion. This isn't surprising, areas with higher populations tend to dominate total personal income measures for a simple reason. Since total personal income is an estimate of the sum of all personal income in the area - more people with more individual incomes = higher total personal income. Smaller counties tend to have smaller total personal incomes for the same reason.

Population isn't the only factor affecting total personal income, occupation and industry mixes in the area can also make a difference. An area with many higher-paying professional jobs will have a higher total income than we'd expect based on its population. Location can also play a role. Our second runner up in proportion of West Central's total personal income is St. Croix County. Even though it has a smaller population than Eau Claire County, St. Croix residents have easy access to the job market of the Twin Cities just across the border. Wages are much higher in Minnesota's largest metropolitan area, and some of those wages make their way into the pockets of St. Croix residents commute across the border for work.

Even though the above examples show how factors other than population can influence total personal income, other measures actually relate income directly to population, like per capita personal income.

Per Capita Personal Income

Per capita personal income is the total personal income of an area, divided by its population. So it represents the average income each person in the area would receive if the total income were distributed evenly amongst the area's residents. While we know this isn't the case (economic diversity is pretty evident on the highway, no one could afford to drive a Cadillac, and certainly few people would choose to drive a 1982 Buick like I did in my formative years) it is a useful assumption. Per capita personal income can make it easier to compare a large county to a small county, though on average residents of urban counties still tend to have higher incomes since

(Continued on page 2)

high paying businesses still tend to locate where they can find the largest pool of prospective employees.

The table below not only shows total personal income for each area as a reference, but also per capita personal income (and how each county is ranked in the state by that income measure).

Some interesting facts begin to show up when we examine the rankings. St. Croix County, with about 76,000 residents, ranked 19th out of the state's 72 counties in total personal income. Not a bad rank, but when you take into account how many residents it took to generate this total income (using per capita personal income) the county moves all the way up to 8th! So we see that even though St. Croix has a smaller population than more urban counties in the state, residents still tend to earn more income on average. This Twin Cities effect is even more evident in Pierce County, which is much smaller than St. Croix, yet still achieves a rank of 26th in per capita personal income.

Personal Income for West Central Wisconsin Counties

	Total Personal Income (x1000) 2004	Per Capita Personal Income 2004	2003	Percent Change 2003-04	1999-04	2004 Rank
Wisconsin	$177,026,243	$32,166	$30,664	4.9%	18.5%	
Metropolitan Wis.	$135,269,947	$34,002	$32,516	4.6%	18.2%	
Non-metro Wis.	$41,756,296	$27,378	$25,840	6.0%	19.6%	
Barron	$1,211,498	$26,537	$25,093	5.8%	19.2%	41
Chippewa	$1,586,461	$26,950	$26,158	3.0%	13.0%	39
Clark	$821,758	$24,109	$22,534	7.0%	20.1%	61
Dunn	$1,009,016	$24,337	$23,087	5.4%	15.7%	58
Eau Claire	$2,697,902	$28,664	$27,420	4.5%	17.2%	31
Pepin	$196,547	$26,471	$24,614	7.5%	19.7%	42
Pierce	$1,131,577	$29,431	$27,889	5.5%	19.7%	26
Polk	$1,137,950	$25,921	$24,526	5.7%	17.2%	47
St. Croix	$2,431,923	$32,760	$31,423	4.3%	13.0%	8
West Central	$12,224,632	$27,898	$26,574	5.0%	16.9%	

Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

But what happened to Eau Claire County? It led West Central in total personal income, ranked 19th in the state, but dropped to 31st in per capita personal income. Some of its neighbors like Chippewa and Dunn counties also experienced this trend. Does this mean that residents of this area actually make less than in other areas of the state? Not necessarily.

As mentioned earlier, per capita personal income is the total personal income of an area, divided by its population. Its *total* population, not just those residents who generate income. The Chippewa Valley area is home to several popular post-secondary schools, like UW-Eau Claire, UW-Stout, and Chippewa Valley Technical College. So there is actually a large student population in the area. While many students do work, they may not work full time, and often take jobs that don't pay very high wages. And of course, some students also choose just to focus on classes, and only work in the summer if at all. But regardless of that fact, they are still counted into the population, which tends to result in a lower per capita income. So even though no one measure tells the whole story of an area, personal income statistics can be a useful tool when different measures are used together. Another useful measure, adjustment for place of residence, shows us the impact of inter-county commuting.

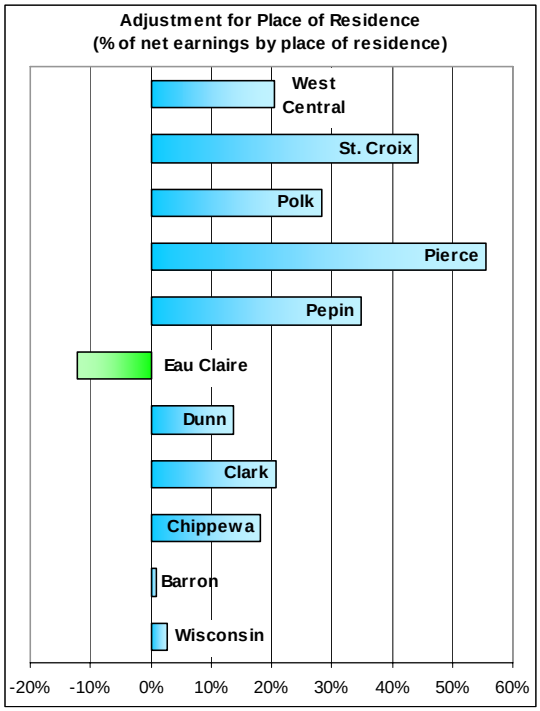
Place of Residence Adjustment

Personal income is estimated by place of residence, meaning that the income of each person would be attributed to the area they live in. But over 60 percent of the data used to compute these estimates is reported by place of work. Since we know many people work in one county but live in another, this presents a problem. How can personal income be adjusted to reflect commuters?

The Bureau of Economic Analysis uses U.S. Census journey to work data as a basis for mathematical formulas designed to estimate income flows in and out of a county. Using Dunn County as an example, the estimate of income from residents of other counties working in Dunn would be subtracted from the estimate of income of Dunn residents working in other counties. This resulting number can be positive or negative depending on which group generates more income. If Dunn residents bring home more income from other counties than the non-residents take back to their counties, then the adjustment number is positive, and is added to the earnings by place of work number to correct for commuting (turning it into a place of residence number - "net earnings").

The graph below shows the place of residence adjustment as a percent of the total net earnings by place of residence (after the adjustment). This gives us not only an indication of income flows, but also an idea of the magnitude of those flows compared to the total county earnings.

Most West Central counties, like West Central itself, have a positive adjustment for place of residence. In the case of West Central, the residence adjustment makes up about 20 percent



(Continued on page 3)

of the total earnings in the area, indicating that a fair amount of the earnings come from outside the area.

The effects of commuting are especially evident in border counties like St. Croix and Pierce. The place of residence adjustment accounts for about 44 percent of total earnings in St. Croix, and over 55 percent in Pierce!

However, some areas, like Eau Claire county, have a negative place of residence adjustment. A negative adjustment means that residents of other counties working in Eau Claire generate more income than Eau Claire county residents working outside the county. In fact, in Eau Claire county, the negative residence adjustment accounts for about 12 percent of total earnings. This indicates that Eau Claire county is a major employment destination for surrounding counties.

Now we know more about earnings in West Central, but what about the other components that make up income?

2004 Personal Income Components for West Central Wisconsin Counties

	Net Earnings by Place of Residence	Dividends, Interest, and Rent	Current Transfer Receipts
Wisconsin	70%	16%	14%
Barron	64%	16%	19%
Chippewa	67%	16%	17%
Clark	62%	18%	20%
Dunn	71%	14%	15%
Eau Claire	68%	17%	14%
Pepin	66%	14%	20%
Pierce	75%	13%	11%
Polk	68%	15%	17%
St. Croix	78%	12%	9%
West Central	70%	15%	15%

Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

Personal Income Components

The largest component of personal income is net earnings by place of residence. We've talked about it quite a bit already in the article, but to recap, basically it's the wages earned at work, then adjusted so the income is attributed to the county the worker lives in. St. Croix and Pierce counties have the highest percentage of their incomes made up of net earnings. This can indicate that residents of an area make relatively higher wages. Counties with earnings as a high percentage of total income frequently have a higher per capita personal income than other counties. It can be hard to divine what a higher proportion in one component might mean, since the three components influence each other. It might simply mean that another component is very low, which makes another one look high by percentage.

Dividends, interest, and rent are another component of personal income. This component includes things like dividends and interest from investments like stocks and bonds, as well as from government and private pension funds. It also includes income from rental properties. Clark county is the leader in this component, followed by Eau Claire. In the case of Clark, this probably occurs because the earnings component is low, making assets look higher. In Eau Claire, it's likely because of a lower percentage in the current transfer receipts, due to Eau Claire's younger population.

Transfer receipts refer to benefits like social security, unemployment insurance, disability payments, and welfare. Clark and Pepin both have a high proportion of transfer payments. Keeping in mind that other components can influence this too, many times a high percentage in transfer payments indicates an older population, with more retirees. Especially when taken together with a high proportion in the investment component.

Income statistics can be very useful, and this article is just the tip of the iceberg of what is available. The BEA has much more in depth data on their website, www.bea.gov. We may not have answered our favorite income question - how do we get more? - but understanding the local economy probably isn't the worst place to start.

Civilian Labor Force Estimates* for West Central Wisconsin counties

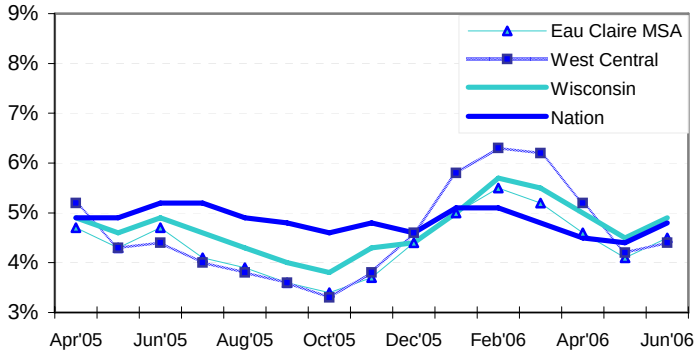
	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005
	Barron			Chippewa			Clark		
Labor force	26,102	26,049	25,724	32,869	32,815	32,289	18,046	17,800	17,977
Employed	24,738	24,230	24,449	31,259	30,565	30,622	17,119	16,514	16,939
Unemployed	1,364	1,819	1,276	1,610	2,250	1,667	927	1,286	1,039
Unemp. Rate	5.2	7.0	5.0	4.9	6.9	5.2	5.1	7.2	5.8
	Dunn			Eau Claire			Pepin		
Labor force	24,407	24,305	24,244	55,462	54,337	54,387	4,070	3,976	4,018
Employed	23,364	22,951	23,172	53,186	52,004	52,103	3,895	3,723	3,825
Unemployed	1,044	1,354	1,072	2,276	2,333	2,284	176	252	193
Unemp. Rate	4.3	5.5	4.4	4.1	4.3	4.2	4.3	6.3	4.8
	Pierce			Polk			St. Croix		
Labor force	23,777	23,644	23,155	24,642	24,540	24,205	44,698	44,539	43,438
Employed	22,832	22,307	22,245	23,299	22,652	23,022	42,684	41,703	41,587
Unemployed	945	1,337	910	1,343	1,888	1,183	2,013	2,835	1,851
Unemp. Rate	4.0	5.7	3.9	5.4	7.7	4.9	4.5	6.4	4.3
	Eau Claire MSA			West Central					
Labor force	88,331	87,152	86,676	254,073	252,003	249,438			
Employed	84,445	82,569	82,725	242,376	236,650	237,963	* not seasonally adjusted		
Unemployed	3,886	4,583	3,951	11,697	15,353	11,475			
Unemp. Rate	4.4	5.2	4.6	4.6	6.1	4.6			

Workforce Changes in Second Quarter, 2006

The unemployment rate for West Central Wisconsin fell during the second quarter, except for a slight increase in June, following the usual seasonal trend. Rates typically fall this time of year as summer hiring begins. As temperatures rose, industries with strong seasonal components, like construction and leisure & hospitality boosted employment. Unemployment rates in June rose throughout most of West Central Wisconsin this month, as the effects of schools recessing for the summer influenced changes in both the number of unemployed and employed. As in previous years, students entering the labor force boosted participation levels in many counties. Unemployment rates in June typically

(Continued on page 4)

Unemployment Rates-Not seasonally adjusted



	Apr'05	May'05	Jun'05	Apr'06	May'06	Jun'06
Eau Claire MSA	4.7%	4.3%	4.7%	4.6%	4.1%	4.5%
West Central	5.2%	4.3%	4.4%	5.2%	4.2%	4.4%
Wisconsin	4.9%	4.6%	4.9%	5.0%	4.5%	4.9%
Nation	4.9%	4.9%	5.2%	4.5%	4.4%	4.8%

rise slightly. These were the lowest May and June unemployment rates since 2001.

The number of residents with jobs climbed steadily throughout the second quarter, showing a stronger growth trend than recent years. June ended the quarter with 244,852 residents employed, up 5,408 over the year.

All of the counties in West Central Wisconsin experienced the seasonal jump in employment from the first quarter of 2006 to the second quarter. And they all experienced a boost in nonfarm jobs. Local employers added 6,242 nonfarm jobs during the second quarter. Most of these jobs revolved around the resumption of seasonal industries like leisure & hospitality, gaining 1,640 jobs. The sector containing construction also hired, swelling payrolls by 1,577.

Most counties showed improvement from last year at this time. While all West Central counties added jobs in education and health care since last year, the Chippewa-Eau Claire metro area outpaced the other seven counties in the region in this high growth sector.

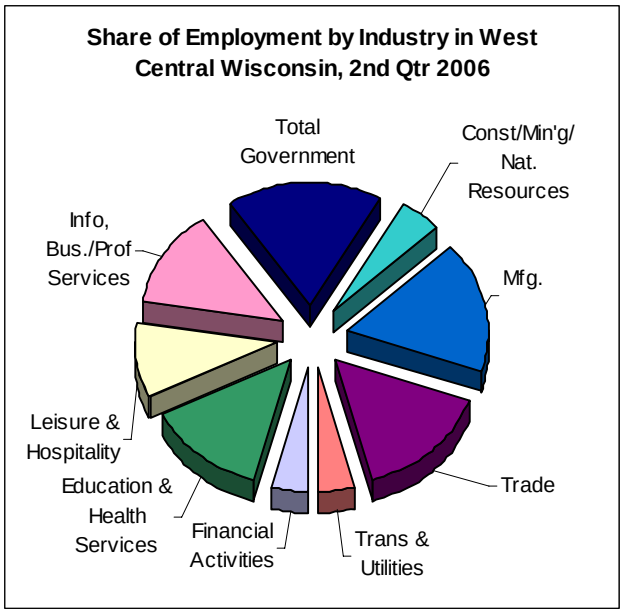
West Central Wisconsin - Nonfarm	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005
Total Nonfarm jobs	189,010	182,768	187,828
Const/Min'g/Nat. Resources	8,802	7,225	8,869
Manufacturing	32,824	32,429	32,541
Trade	29,457	28,564	29,210
Transportation & Utilities	7,826	7,491	7,578
Financial Activities	7,625	7,508	7,556
Education & Health Services	26,078	25,802	25,291
Leisure & Hospitality	18,351	16,711	18,382
Business Srv, & Other Services	24,634	23,881	24,226
Total Government	33,412	33,157	34,175

Nonfarm Wage and Salary Employment Estimates for West Central Wisconsin Counties

	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005
	Barron			Clark			Dunn			Eau Claire MSA		
Total Nonfarm jobs	22,480	21,773	22,120	10,653	10,236	10,526	17,187	16,730	17,248	80,933	78,500	79,833
Const/Min'g/Nat. Resources	755	569	815	601	447	585	643	518	653	3,233	2,767	3,267
Manufacturing	5,702	5,665	5,553	2,938	2,920	2,952	2,483	2,437	2,341	10,967	10,800	10,900
Trade	3,535	3,476	3,514	1,474	1,391	1,457	2,634	2,592	2,682	13,800	13,300	13,333
Transportation & Utilities	537	526	524	515	462	479	1,716	1,711	1,672	3,200	3,033	3,100
Financial Activities	647	635	619	281	280	279	496	489	485	3,933	3,867	3,933
Education & Health Services	2,727	2,731	2,680	1,334	1,269	1,205	1,682	1,661	1,667	13,267	13,133	12,833
Leisure & Hospitality	1,897	1,641	1,902	701	648	703	1,642	1,499	1,646	7,600	7,133	7,733
Info, Prof/Bus.Srv, Othr Srv.	2,166	2,081	2,007	791	806	765	1,902	1,783	1,740	12,567	12,300	12,600
Total Government	4,514	4,448	4,505	2,019	2,011	2,099	3,990	4,039	4,362	12,367	12,167	12,133
	Pepin			Pierce			Polk			St. Croix		
Total Nonfarm jobs	2,303	2,150	2,261	10,678	10,244	11,173	16,059	15,538	16,084	28,718	27,597	28,583
Const/Min'g/Nat. Resources	173	155	171	655	521	685	777	586	773	1,965	1,662	1,919
Manufacturing	134	139	141	960	926	934	4,068	4,045	4,047	5,573	5,496	5,673
Trade	526	511	536	925	889	1,114	2,003	1,962	2,095	4,561	4,444	4,479
Transportation & Utilities	76	70	77	342	321	359	324	283	313	1,118	1,084	1,053
Financial Activities	81	77	76	400	395	398	464	455	511	1,323	1,310	1,255
Education & Health Services	293	298	292	1,344	1,314	1,298	2,308	2,297	2,244	3,124	3,097	3,071
Leisure & Hospitality	194	111	183	1,151	1,016	1,198	1,629	1,556	1,573	3,537	3,106	3,443
Info, Prof/Bus.Srv, Othr Srv.	225	213	232	1,291	1,276	1,279	1,947	1,834	1,808	3,745	3,588	3,795
Total Government	602	577	554	3,610	3,586	3,907	2,538	2,520	2,718	3,772	3,810	3,896

Current quarter preliminary. Estimates based on 2005 benchmark. Summing from unrounded numbers.

The Workforce Album: Second Quarter, 2006



> Increases in the Consumer Price Index, lead by rising fuel and energy costs, outpaced historical trends in the second quarter of 2006, rising 1.7 percent from 1Q2006 and 4.0 percent from 2Q2005.

> The increase in CPI, including the more volatile energy and food indexes, slowed in June after rising sharply in April and May.

> Compensation costs for private sector workers rose 0.9% from March to June 2006, after advancing 0.8% in the prior quarter. State and local government costs rose 0.4% during the quarter following a 0.5% increase in the prior quarter.

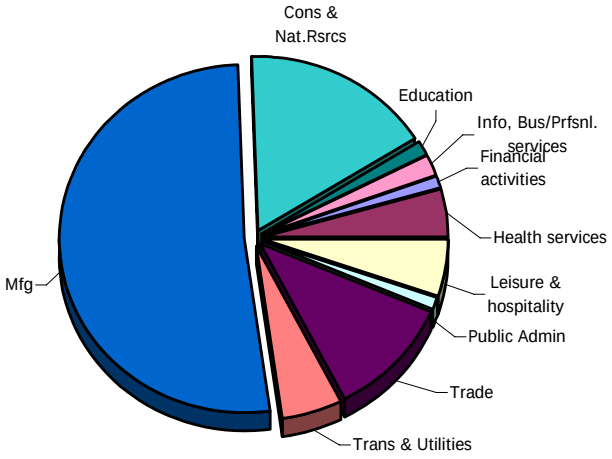
> Annual compensation cost for all civilian workers increased 3.0 percent for the year ended June 2006, moderating from the 3.2 percent for the over-the-year increase for June 2005.

> 8,081 residents filed initial claims for unemployment insurance benefits during the second quarter, down from 10,847 in the first quarter.

> The majority of claims filed were from manufacturing, and to a lesser degree construction workers. The construction and manufacturing sectors typically lead West Central in initial claims.

> Though manufacturing claims are a higher proportion of initial claims than last quarter, the number of claims has actually dropped. Significant summer drops in claims in other sectors, like trade, increased manufacturing's proportion.

Initial Claims for Unemployment Benefits by Industry in Qtr 2 2006 in West Central Wisconsin



Consumer Price Index - All items (not seasonally adjusted)	Change over previous quarter Qtr 3 2005	Qtr 4 2005	Qtr 1 2006	Qtr 2 2006	over yr Qtr 2 2005
United States	1.2%	0.5%	0.5%	1.7%	4.0%
Midwest cities (50,000-1.5 million pop.)	1.5%	1.6%	0.2%	0.2%	3.5%
Midwest cities (less than 50,000 pop.)	1.4%	1.7%	0.3%	0.2%	3.7%
Employment Cost Index (not seasonally adjusted)					
Civilian total compensation	0.8%	0.6%	0.7%	0.9%	3.0%
Private industry total compensation	0.6%	0.5%	0.8%	0.9%	2.8%
Local & state govt. total compensation	2.0%	0.9%	0.5%	0.4%	3.8%
Civilian wages	0.7%	0.6%	0.7%	0.8%	2.8%
Private wages	0.6%	0.5%	0.7%	1.0%	2.8%
Local & state government wages	1.3%	0.9%	0.3%	0.5%	3.1%
Civilian benefits	1.2%	0.5%	0.9%	0.7%	3.4%
Private industry benefits	0.7%	0.3%	1.0%	0.7%	2.7%
Local & state government benefits	3.1%	1.0%	0.7%	0.6%	5.5%
				current quarter	

Source: US Bureau of Labor Statistics